

**The Honorable Ben S. Bernanke**  
Chairman  
Board of Governors, Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

**The Honorable Richard Cordray**  
Director  
Consumer Financial Protection Bureau  
1500 Pennsylvania Ave. NW  
Washington, DC 20220

**Mr. Martin Gruenberg**  
Acting Director  
Federal Deposit Insurance Corporation  
1776 F Street, NW  
Washington, DC 20006

**Mr. John Walsh**  
Acting Comptroller  
Office of the Comptroller of the Currency  
250 E Street, SW  
Washington, DC 20219

cc: The Honorable Sarah Bloom Raskin  
The Honorable Elizabeth A. Duke  
The Honorable Daniel K. Tarullo

February 22, 2012

**Dear Chairman Bernanke, Director Cordray, Acting Chairman Gruenberg, and Acting Comptroller Walsh:**

We write to urge the federal regulators of our nation's banks to take immediate action to stop banks from making unaffordable, high-cost payday loans.

Wells Fargo, US Bank, Fifth Third, Regions, and Guaranty Bank's deposit "advance" loans are structured just like loans from payday loan stores – carrying a high-cost combined with a short-term balloon repayment. Research has long shown that these loans trap borrowers in a cycle of expensive long-term debt, causing serious financial harm to borrowers, including increased likelihood of bankruptcy, paying credit card debts and other bills late, delayed medical care, and loss of basic banking privileges because of repeated overdrafts.

Further, payday lending by banks undermines state law in the states that have prohibited or imposed meaningful restrictions on payday loans in recent years, or that have never allowed payday loans to be part of their marketplace. It also undermines provisions of the Military Lending Act aimed at protecting service members from payday loans.

For customers with direct deposit of wages or public benefits, the banks will advance the pay in increments for a fee, ranging from \$7.50 to \$10 per \$100 borrowed. The bank deposits the loan amount directly into the customer's account and then repays itself the loan amount, plus the fee, directly from the customer's next incoming direct deposit. If direct deposits are not sufficient to repay the loan within 35 days, the bank repays itself anyway, even if the repayment overdraws the consumer's account, triggering more costs through overdraft fees.

Non-bank payday borrowers routinely find themselves unable to repay the loan in full plus meet their expenses for the next month without taking out another payday loan. A recent analysis of

actual checking account activity by the Center for Responsible Lending<sup>1</sup> finds the same is true with bank payday loans:

- Bank payday loans typically carry an annual percentage rate (APR) of 365 percent based on the typical loan term of ten days;<sup>2</sup>
- On average, bank payday borrowers are in debt for 175 days per year;<sup>3</sup>
- Many borrowers take out ten, 20, or even 30 or more bank payday loans in a year;<sup>4</sup>
- Many bank payday borrowers are Social Security recipients, and the banks take significant portions of their monthly checks immediately for repayment of bank payday loans.<sup>5</sup>

These findings further demonstrate that, as in the storefront payday context, lender “protections” like “installment options” and “cooling off periods” simply do not stop the cycle of repeat loans.

There are clear signals that bank payday lending will grow rapidly without prompt regulatory action. Fiserv, Inc., a provider of software systems to the financial industry, has developed a bank payday software product it calls “Relationship Advance.” Fiserv is reporting significant interest in the product: “The pipeline is extremely strong. We’ve had some very nice mid-tier signings over the last three, four months and we see this as an interesting driver of ... high-quality recurring revenue . . . .”<sup>6</sup>

Fiserv’s marketing of the Relationship Advance product has included promises that, within two years, revenue from the product “will be greater than all ancillary fee revenue combined”<sup>7</sup> and that the product will result in little-to-no “overdraft revenue cannibalization;”<sup>8</sup> that is to say, it will add another high fee source without reducing overdraft fee revenue.

Ultimately, payday loans erode the assets of bank customers and, rather than promote savings, make checking accounts unsafe for many customers. They lead to uncollected debt, bank account closures, and greater numbers of unbanked Americans. All of these outcomes are inconsistent with both consumer protection and the safety and soundness of financial institutions.

Please move quickly to ensure that payday lending by banks does not become more widespread, and to ensure that those banks currently making payday loans stop offering this inherently dangerous product.

We appreciate your consideration of our concerns.

Sincerely,

*National Organizations*

AFL-CIO

Americans for Financial Reform

Center for Responsible Lending

Church of England Ethical Investment Advisory Group

Consumer Action

Consumer Federation of America

Consumers Union

Demos

First Nations Development Institute

Green America

Jesuit Conference

Jewish Reconstructionist Federation

Leadership Conference for Civil and Human Rights

Main Street Alliance

Missionary Oblates, US Province

NAACP

National Advocacy Center of the Sisters of the Good Shepherd

National Association of Consumer Advocates

National Community Reinvestment Coalition

National Consumer Law Center (on behalf of its low income clients)

National Fair Housing Alliance

National People's Action

NETWORK, A National Catholic Social Justice Lobby

Mercy Investment Services

Pax World Funds

PICO National Network

Progressive Asset Management

Responsible Endowments Coalition

Sisters of Charity of the Blessed Virgin Mary

Sojourners

The Greenlining Institute

Trillium Asset Management

United Church of Christ Justice and Witness Ministries

US PIRG

*State and Community Organizations*

AccountAbility Minnesota  
Action for Children North Carolina  
Action North Carolina  
Adrian Dominican Sisters (Seattle, WA)  
Alabama Appleseed  
Alliance to Develop Power (Springfield, MA)  
American Friends Service Committee - South East New England Office  
Aquinas Associates (Dallas, TX)  
Arizona Advocacy Network  
Arizona Community Action Association  
Arizonans for Responsible Lending Coalition  
Arkansans Against Abusive Payday Lending  
Arkansas Advocates for Children and Families  
Arkansas Community Organizations  
Baltimore CASH Campaign (Baltimore, MD)  
Bell Policy Center (CO)  
Better Choices for a Better Louisiana Coalition  
California Church IMPACT  
California Reinvestment Coalition  
Casa Latina (Seattle, WA)  
Center for Economic Integrity (Tuscon, AZ)  
Central Alabama Fair Housing Center (Montgomery, AL)  
Chhaya CDC (Jackson Heights, NY)  
Children's Alliance (WA)  
Christopher Reynolds Foundation (New York, NY)  
Citizen Action Illinois  
CitySquare (Dallas, TX)  
Cleveland Housing Network (Cleveland, OH)  
Coalition of Religious Communities (Salt Lake City, UT)  
Coalition on Homelessness & Housing in Ohio  
Coastal Enterprises Institute (ME)  
Coloradans for Payday Lending Reform  
Colorado Progressive Coalition

Communities Creating Opportunity (Kansas City, MO)  
Communities United for Action (Cincinnati, OH)  
Community Financial Resources (CA)  
Community Union (Van Nuys, CA)  
Connecticut Association for Human Services  
Consumer Credit Counseling Service of Forsyth County (Winston-Salem, NC)  
Consumer Credit Counseling Service of Greater Greensboro (Greensboro, NC)  
Courage Campaign (CA)  
Credit Counseling Agencies of North Carolina Association  
Democratic Processes Center, Inc (Tucson, AZ)  
District Council 37 (New York), AFSCME (New York, NY)  
Dominican Sisters of Hope (Ossining, NY)  
Dominican Sisters of Sparkill (Sparkill, NY)  
East LA Community Corporation (Los Angeles, CA)  
Economic Fairness Oregon  
EMERGE Community Development (Minneapolis, MN)  
Empire Justice Center (NY)  
Fair Housing Center (Toledo, OH)  
Fair Housing Council of Northern New Jersey  
Faith Action Network (WA)  
Fifth Avenue Committee (New York, NY)  
Financial Protection Law Center (NC)  
Florida Consumer Action Network  
Florida Minority Community Reinvestment Coalition  
Foreclosure Relief Law Project (MN)  
Friends Fiduciary (Philadelphia, PA)  
Fuse Washington  
Genesee Co-op Federal Credit Union (Rochester, NY)  
Glenmary Home Missioners (Fairfield, OH)  
GRO-Grassroots Organizing (MO)  
Habitat for Humanity of Mahoning County (Sturthers, OH)  
Heartland Alliance for Human Needs (IL)  
Housing Action Coalition (RI)  
Housing Action Illinois  
Housing Research & Advocacy Center (Cleveland, OH)

IIRON (IL and IN)  
 Illinois People's Action  
 Insight Center for Community Economic Development (Oakland, CA)  
 Interfaith Housing Center of the Northern Suburbs (Winnetka, IL)  
 Iowa Citizens for Community Improvement  
 ISALAH (Minneapolis, MN)  
 Jesuit Social Research Institute, Loyola University (New Orleans, LA)  
 Jewish Community Action (MN)  
 LeadingAge Ohio  
 Legal Assistance Resource Center of Connecticut  
 Legal Services of Southern Piedmont (Charlotte, NC)  
 Lorain County Urban League (Elyria, OH)  
 Louisiana Budget Project  
 Lutheran Public Policy Office of Washington  
 Lutheran Social Service of Minnesota  
 Maine Center for Economic Policy  
 Maine Equal Justice Partners  
 Maine People's Alliance  
 Maine Women's Lobby  
 Maine's Majority  
 Mainstream Oklahoma Baptists  
 Marine Corps Installations East  
 Maryland Budget and Tax Policy Institute  
 Maryland CASH Campaign  
 Maryland Consumer Rights Coalition  
 MDC (Durham, NC)  
 Memphis Responsible Lending Coalition (Memphis, TN)  
 Metanoia Centers for Innovation (Champaign, IL)  
 MFY Legal Services (New York, NY)  
 Miami Valley Fair Housing Center (Dayton, OH)  
 Mid-Minnesota Legal Assistance  
 Midwest Coalition for Responsible Investment (St. Louis, MO)  
 Minnesota Community Action Partnership  
 Minnesotans for a Fair Economy  
 Mission Asset Fund (San Francisco, CA)

Missionary Servants of the Most Holy Trinity (Silver Spring, MD)  
Montana Community Foundation  
National Association of Social Workers-North Carolina Chapter  
Neighborhood Economic Development Advocacy Project (NEDAP) (New York, NY)  
Neighbors Helping Neighbors (New York, NY)  
Neighborworks Blackstone River Valley (RI)  
Neighborworks Rochester (Rochester, NY)  
New Baptist Covenant Midwest Region  
New Hampshire Legal Assistance  
North Carolina Community Development Initiative  
North Carolina Council of Churches  
North Carolina Housing Coalition  
North Carolina Institute for Minority Economic Development  
North Carolina Justice Center  
North Carolina State AFL-CIO  
Northeast Ohio Legal Services  
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Office of Peace and Justice, Sinsinawa Dominican Sisters (Sinsinawa, WI)  
Ohio Conference of Seventh-Day Adventists  
Ohio Conference Seventh-Day Adventist Schools  
Ohio Poverty Law Center  
Oklahoma Policy Institute  
OnTrack Financial Education & Counseling (Asheville, NC)  
Pisgah Legal Services (NC)  
Policy Matters Ohio  
Pratt Area Community Council (Brooklyn, NY)  
Progress Florida  
Progress Mass (MA)  
Progress Missouri  
Progress Ohio  
Progress Texas  
ProgressNow Colorado  
ProgressNow Nevada  
ProgressNow New Mexico  
Reinvestment Partners (NC)

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Rural Dynamics (MT)  
SEIU Local 26 (Minneapolis, MN)  
Sisters of Charity of Saint Elizabeth (Convent Station, NJ)  
Sisters of St. Francis of Assisi (St. Francis, WI)  
Sisters of St. Francis of Philadelphia (Philadelphia, PA)  
Sisters of St. Francis of Tiffin, Ohio  
Sisters of St. Joseph of Springfield, Massachusetts  
South Carolina Appleseed Legal Justice Center  
Southsiders Organized for Unity and Liberation (Chicago, IL)  
St. Michael's Parish (Providence, RI)  
Statewide Poverty Action Network (WA)  
Syracuse United Neighbors (Syracuse, NY)  
Take Action Minnesota  
Teamsters Local 237 (New York, NY)  
The Economic Progress Institute (RI)  
The Financial Clinic (New York, NY)  
The Support Center (NC)  
Toledo First Church of Seventh Day Adventists (Toledo, OH)  
Triangle Congregations Associations and Neighborhoods (Durham, NC)  
Tri-State Coalition for Responsible Investment (Montclair, NJ)  
United Federal Credit Union (NY)  
United Way of Erie County (Erie, OH)  
Ursuline Sisters of Tildonk, U.S. Province (NY)  
Virginia Citizen's Consumer Council  
Virginia Poverty Law Center  
Virginians Against Payday Lending  
VOCAL – NY (Brooklyn, NY)  
Washington State Labor Council, AFL-CIO  
Western New York Law Center  
Woodstock Institute (Chicago, IL)  
Xaverian Brothers (Baltimore, MD)



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Benjamin J. Thorpe, Hispanic College Fund (Washington, DC)  
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Carol Bromer, Jewish Community Action (Minneapolis, MN)  
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Rev. Londia Granger Wright, St. Luke's United Methodist Church (Kansas City, MO)  
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<sup>1</sup> Center for Responsible Lending, "Big Bank Payday Loans," CRL Research Brief, July 2011, *available at* <http://www.responsiblelending.org/payday-lending/research-analysis/big-bank-payday-loans.pdf>

<sup>2</sup> This APR is based on a fee of \$10 per \$100 borrowed, which most banks making payday loans charge. One bank charges \$7.50 per \$100 borrowed.

<sup>3</sup> "Big Bank Payday Loans" at 5. The analysis found that, on average, bank payday borrowers have 16 loans and, assuming these loans were not concurrent, stay in payday debt for 175 days per year. The average loan duration for all panelists was 10.7 days.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> Fiserv Investor Conference, Oct. 11, 2011.

<sup>7</sup> Fiserv Relationship Advance program description available at <http://www.relationshipadvance.com/>; *see also* Fiserv unveils Relationship Advance: *Full-service solution provides a safer, more cost-effective alternative to courtesy overdraft programs*, Press Release (Nov. 18, 2009), *available at* <http://investors.fiserv.com/releasedetail.cfm?ReleaseID=425106>; Jeff Horwitz, *Loan Product Catching On Has a Couple of Catches*, American Banker, Oct. 5, 2010.

<sup>8</sup> <http://www.relationshipadvance.com/>, as visited on August 2011.